

REBUTTAL TESTIMONY
OF
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Program Manager

Energy Engineering Program

Safety and Reliability Division

Illinois Commerce Commission

Proposed General Increase in Rates For Delivery Service

North Shore Gas Company and The Peoples Gas Light and Coke Company

Docket Nos. 12-0511 and 12-0512
(Consolidated)

January 16, 2013

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1 Q. Please state your name and business address.

2 A. My name is Philliph Roy Buxton. My business address is 527 East Capitol
3 Avenue, Springfield, Illinois 62701.

4 Q. By whom are you employed and in what capacity?

5 A. I work for the Illinois Commerce Commission ("Commission") as Manager of the
6 Energy Engineering Program in the Safety and Reliability Division.

7 Q. State your education and employment history.

8 A. I have an Electrical Engineering Technology Degree from Indiana Northern
9 University. I worked as an engineer for Indiana and Michigan Electric Company
10 (now Indiana and Michigan Power) for about 10 years. In 1979, I joined the
11 Commission Staff ("Staff"), and I have held various engineering and engineering
12 management positions with the Commission since then.

13 Q. Have you previously testified before the Commission?

14 Q. Yes, I have.

15 Q. Did you submit direct testimony in this proceeding?

16 A. No, I did not.

17 Q. What is the purpose of your rebuttal testimony?

18 A. I am supplementing the rebuttal testimony of Staff witness Brett Seagle. Mr.
19 Seagle filed direct and rebuttal testimony concerning adjustments to the capital

costs for Peoples Gas Light and Coke Company's ("Peoples") Accelerated Main Replacement Program ("AMRP"). (ICC Staff Exs. 6.0 and 16.0) I am not addressing Mr. Seagle's proposed adjustments to rate base. I am proposing action I believe the Commission should take to avoid future AMRP construction delays and cost overruns like the ones that Mr. Seagle has identified in his testimony and for which he has proposed adjustments.

Q. Are you offering any attachments to your rebuttal testimony?

A. Yes. I am offering four attachments as identified below.

- ICC Staff Exhibit 20.0, Attachment 20.01 is a one-page copy of Peoples' Response to Staff Data Request ("DR") ENG 2.09, dated August 21, 2012 and identified with the number PGL0004164 in the lower right hand corner.
- ICC Staff Exhibit 20.0, Attachment 20.02 is a one-page copy of Peoples' Response to Staff DR ENG 2.12, dated August 21, 2012 and identified with the number PGL0004167 in the lower right hand corner.
- ICC Staff Exhibit 20.0, Attachment 20.03 is a 44-page copy of Peoples' Response to Staff DR ENG 2.12, Attach 01. The title of this document is "Accelerated Main Replacement Program (AMRP) Five Year Construction Plan – White Paper." Each page of the document is identified with a number beginning with PGL0004168 through PGL0004211.

- ICC Staff Exhibit 20.0, Attachment 20.04 is a one-page copy of Peoples' Response to Staff DR ENG 2.13, dated August 21, 2012 and identified with the number PGL0004212 in the lower right hand corner.

Recommendation

Q. Are you making any recommendations?

A. Yes. I recommend that the Commission use its authority under Section 8-102 of the Public Utilities Act (220 ILCS 5/8-102) to conduct an investigation of Peoples' AMRP. I recommend that the Commission's Order in this proceeding direct Staff to: (1) design an investigation of Peoples' AMRP that has a scope as described in my testimony below; (2) issue a request for proposals for the investigation; (3) hire an engineering consulting firm to perform the investigation; and (4) provide a project manager to oversee the engineering consulting firm's work. I also recommend that the Commission direct Peoples to pay all consulting fees that the Commission incurs under its contract for the investigation and to cooperate with Staff and the Commission's consultant during the investigation to coordinate utility and consultant activities for inspections, interviews, responses to information requests, etc.

The Commission's consulting contract should include two phases. Phase I will be the investigation. Phase II will be a two-year verification period following the Phase I investigation and the engineering consultant who performs the investigation should work during this Phase II two-year period to verify that

Peoples has implemented the recommendations from the Phase I investigation.

The scope and nature of the investigation will address the following items:

- Peoples' understanding of the condition of its gas delivery infrastructure including gas mains in need of replacement.
- Perform an analysis of the miles of gas main that Peoples has already replaced including the type of pipe replaced, the number of miles replaced each year since Peoples began its cast iron and ductile iron gas main replacement program, and the total number of miles replaced.
- Perform an analysis of the miles of gas main remaining to be replaced by Peoples' AMRP, the number of miles that must be replaced each year to meet a 20-year program length, and the total number of miles to be replaced.
- List the gas mains that Peoples intends to replace in each year of its AMRP and the combined total length of those mains.
- Develop a method by which the Commission can monitor the cost and progress of Peoples' AMRP to determine whether the program is on schedule and over or under budget.
- Assess and evaluate the appropriateness and reasonableness of Peoples' AMRP plan, including the planning process for individual projects, for annual work scheduling, and for the entire AMRP.

- 79 • Assess and evaluate Peoples' AMRP plan in terms of Peoples' ability to
80 schedule projects, communicate and plan effectively with the City of Chicago,
81 acquire timely construction permits, and procure materials on time to prevent
82 construction delays.
- 83 • Assess and evaluate Peoples' budgeting process, in particular how Peoples'
84 construction budget is driven by or drives the AMRP construction scheduling
85 process.
- 86 • Assess and evaluate Peoples' policies and practices for prioritizing specific
87 AMRP projects based on the condition of gas mains and other factors.
- 88 • Assess and evaluate Peoples' project management methods and practices
89 for individual construction projects and for the overall AMRP.
- 90 • Assess and evaluate Peoples' plans and designs for facilities that it will install
91 during its AMRP.
- 92 • Assess and evaluate Peoples' constructions standards for new facilities
93 installed during its AMRP.
- 94 • Assess and evaluate Peoples' construction methods, policies, and practices
95 and right-of-way acquisition methods, policies, and practices for new facilities
96 installed during its AMRP.
- 97 • Assess and evaluate Peoples' oversight of its AMRP construction projects for
98 work quality and conformance to project specifications.

- 99 • Assess and evaluate the conformance of Peoples' AMRP construction work
100 to the plans, designs, and construction and materials standards.
- 101 • Assess and evaluate Peoples' use of subsurface utility investigation services
102 and geophysical techniques like ground penetrating radar, computer assisted
103 radar tomography, vacuum excavation, etc. to help with project design,
104 identification of underground obstacles, and with construction permits that do
105 not require modification.
- 106 • Assess and evaluate Peoples' procedures and practices for addressing field
107 conditions that do not match the assumptions made during design of an
108 AMRP project and cause project redesign or modification.
- 109 • Assess and evaluate Peoples' methods for gaining access to indoor gas
110 meters and cutting over service from old facilities to newly constructed
111 facilities.
- 112 • Assess and evaluate the quality and appropriateness of construction
113 materials that Peoples uses for its AMRP.
- 114 • Assess and evaluate the purchasing policies, procedures, and practices that
115 Peoples uses for timely acquisition of construction materials for its AMRP to
116 minimize costs and avoid delays.
- 117 • Assess and evaluate the contracting policies, procedures, and practices that
118 Peoples uses to award construction contracts for its AMRP.

- Assess and evaluate the experience, qualifications, and training that Peoples requires a construction contractor to possess to qualify for work on its AMRP.
- Assess and evaluate Peoples' methods and timing for acquiring necessary permits for construction of its AMRP.
- Assess and evaluate Peoples' working relationship and communications with all entities (the City of Chicago, other government agencies, and other entities) that control Peoples ability to complete construction of its AMRP in a reasonable and predictable timeframe.
- Assess and evaluate information and schedule sharing and plan coordination between Peoples and various City of Chicago departments that affect Peoples' ability to complete its AMRP work on schedule and efficiently.
- Assess and evaluate the existence of any issues that various City of Chicago departments might have with Peoples or its work practices that reduce cooperation and hamper Peoples' ability to perform its AMRP projects.
- Perform inspections of active Peoples' AMRP construction sites during a period of approximately one year and including no less than 800 hours of onsite inspection time.
- Investigate any other issues that Staff or the Commission finds necessary to promote Peoples' completion of the AMRP in a reasonable time and at a reasonable cost.

- 139 • Assess and evaluate the reasonableness, prudence, and used and
140 usefulness of all aspects of Peoples' AMRP.
- 141 • Make recommendations for improvements to all aspects of Peoples' AMRP,
142 including recommendations to limit AMRP delays, and minimize AMRP costs.
- 143 • Assess and evaluate Peoples' policies and practices for calculating
144 reductions in operation and maintenance costs resulting from the retirement
145 of old facilities and construction of new facilities in the AMRP, including the
146 actual calculations for those operations and maintenance cost reductions
147 beginning in 2011 and ending with the close of the investigation.
- 148 • Provide testimony in a future rate case presenting the consultants first phase
149 investigation report to the Commission.
- 150 • Provide testimony in a future rate case presenting the consultants second
151 phase verification report to the Commission.

152 Q. What are the grounds for the Commission to order an investigation as you
153 recommend?

154 A. Peoples first proposed its AMRP in its rate case filing in Docket No. 09-0167 on
155 February 25, 2009. It presented its case in favor of its AMRP and convinced the
156 Commission and Staff to support the program. Since that time, Peoples' AMRP
157 has not performed well. It started construction behind schedule and has fallen
158 farther behind schedule since that time, while consuming its budget on what little

work it does complete. Now, four years after Peoples proposed it, the AMRP has accomplished little. There is no reason for the Commission to believe that Peoples can complete its AMRP in 20 years as it convinced the Commission it should back in 2009 and no way for the Commission to know what the completed AMRP will cost. Peoples' AMRP is encountering problems with scheduling, materials delivery, government permits, and underground utility locating. The AMRP is behind schedule and will fall farther behind in 2013. There is no evidence in this case that Peoples can or will solve its AMRP problems.

Q. Should the Commission's final investigation report be a public document?

A. Yes. The Commission should publish the final report on its web site and Staff should place the final report in the record of a future Peoples rate case. The engineering consultant should provide testimony to support the investigation report as evidence in the future rate case. If the final report contains confidential or proprietary information, then the Commission should require two versions of the final report, one version for public release on its web site and one version containing all information including any confidential or proprietary information for Commission use.

The engineering consultant should also provide testimony in a future rate case supporting the final report of the two-year verification phase of the investigation.

Discussion of Staff Witness Seagle's AMRP Rebuttal Testimony